

AMENDED IN ASSEMBLY JULY 15, 2004

AMENDED IN ASSEMBLY JUNE 29, 2004

AMENDED IN SENATE MAY 12, 2004

AMENDED IN SENATE MAY 3, 2004

SENATE BILL

No. 1855

Introduced by Senator Alpert

(Coauthors: Assembly Members Benoit, Bogh, Calderon, Cohn, Correa, Cox, Diaz, Dutra, Frommer, Jerome Horton, Koretz, Mountjoy, Nakano, Richman, Ridley-Thomas, Vargas, and Wyland)

February 20, 2004

An act to amend Sections 10102 and 10103 of, and to add Section 10103.5 to, the Insurance Code, relating to homeowners' insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1855, as amended, Alpert. Homeowners' insurance: liability limits: disclosure.

Existing law prohibits an insurer from issuing or initially renewing a policy of residential property insurance unless the insurer provides to the applicant or policyholder a disclosure statement containing specified information. Existing law requires the insurer, following the issuance or initial renewal of the policy, to provide the disclosure statement to the insured every other year.

This bill would require that this disclosure statement provide the additional cost for each of the different categories of coverage offered by the insurer that provide broader coverage than the insured's current coverage. It would require that the cost shown represent the additional

premium that would be charged to the insured for each category of coverage if the insured were to opt for that category of coverage.

Existing law requires that a certain disclosure form describing categories of homeowners' insurance coverage be provided to an applicant or insured prior to, or concurrent with, an application for or initial renewal of a homeowners' insurance policy, and every other year thereafter at the time of renewal.

This bill would revise that disclosure form, and would require the Insurance Commissioner, by January 1, 2005, to report to the Governor and the Legislature on the effectiveness of the disclosure form.

Existing law prohibits a homeowners' policy from being issued or renewed unless it indicates on the declarations page, or on a separate disclosure form, specified information, including the limits of liability for the structure.

This bill would require that an insurer provide this information on the declarations page of the policy, and that the information include a specified statement regarding the valuation of the structure.

The bill would require that the above disclosure statement be accompanied by a California Residential Property Insurance Bill of Rights, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10102 of the Insurance Code is
2 amended to read:
3 10102. (a) The disclosure required by Section 10101 shall be
4 in no less than 10-point type face and shall be provided prior to,
5 or concurrent with, the application for or initial renewal of a policy
6 of residential property insurance. In the event that an application
7 is made by telephone, an insurer that mails a copy of the disclosure
8 within three business days shall be in compliance with this section.
9 For policies issued on or after July 1, 1993, at the time of the
10 original application, the agent or insurer shall obtain the
11 applicant's signature acknowledging receipt of the disclosure form
12 within 60 days of the date of the application. When the insurer or
13 agent establishes delivery of the disclosure form by obtaining the
14 signature of the applicant or insured, or when an insurer or agent
15 provides the applicant with the disclosure form and the applicant



1 does not return a signed acknowledgment of receipt within 60 days
2 of the date it was provided, there shall be a conclusive presumption
3 that the insurer or agent has complied with the disclosure
4 requirement of this chapter. The insurer or agent shall have the
5 burden of demonstrating in accordance with California Rules of
6 Evidence that the disclosure was provided to the applicant or
7 insured. A signature shall not be required at the time of renewal.

8 If the disclosure is mailed to the named insured or applicant, it
9 shall be mailed to the mailing address shown on the policy of
10 residential property insurance or to the address requested by the
11 applicant. First-class mail shall be deemed adequate for proof of
12 mailing. The insurer shall have the burden of demonstrating in
13 accordance with California Rules of Evidence that the disclosure
14 was mailed to the applicant or insured.

15 The disclosure shall contain the following language:

16
17 CALIFORNIA RESIDENTIAL PROPERTY INSURANCE
18 DISCLOSURE
19

20 This disclosure is required by California law (Section 10102 of
21 the Insurance Code). It describes the principal forms of insurance
22 coverage in California for residential dwellings. It also identifies
23 the form of dwelling coverage you have purchased or selected.

24 This disclosure form contains only a general description of
25 coverages and is not part of your residential property insurance
26 policy. Only the specific provisions of your policy will determine
27 whether a particular loss is covered and, if so, the amount payable.
28 Regardless of which type of coverage you purchase, your policy
29 may exclude or limit certain risks.

30 READ YOUR POLICY CAREFULLY. If you do not
31 understand any part of it or have questions about what it covers,
32 contact your insurance agent or company. You may also call the
33 California Department of Insurance consumer information line at
34 (____).

35 The cost to rebuild your home may be very different from the
36 market value of your home since reconstruction is based primarily
37 on the cost of labor and materials. Many factors can affect the cost
38 to rebuild your home, including the size of your home, the type of
39 construction, and any unique features. Please review the following
40 coverages carefully. If you have questions regarding the level of



- 1 coverage in your policy, please contact your insurance agent or
- 2 company. Additional coverage may be available for an additional
- 3 premium.



NOTE TO PRINTING OFFICE: INSERT CAMERA-READY
COPY HERE

for Forms of Coverage for Dwellings disclosure form

as printed in Ch. 11 on Pages 79 & 80, in Vol. 1 of the 1993
Statutes.

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1 (b) The agent or insurer shall indicate on the disclosure form
2 which category of coverage the applicant or insured has selected
3 or purchased.

4 (c) The disclosure statement may contain additional provisions
5 not in conflict with or in derogation of the foregoing.

6 (d) Following the issuance or initial renewal of the policy of
7 residential property insurance, the insurer shall provide the
8 disclosure statement to the insured on an every-other-year basis at
9 the time of renewal. The disclosure required by this section may
10 be transmitted with the material required by Section 10086.1.

11 (e) No policy of residential property insurance may be initially
12 issued on and after January 1, 1993, as guaranteed replacement
13 cost coverage if it contains any maximum limitation of coverage
14 based on any set dollar limits, percentage amounts, construction
15 cost limits, indexing, or any other preset maximum limitation for
16 covered damage to the insured dwelling. The limitations referred
17 to in this section are solely applicable to dwelling structure
18 coverages. Endorsements covering additional risks to the insurer's
19 dwelling structure coverage may have internal limits as long as
20 those endorsements are not called guaranteed replacement cost
21 coverage.

22 (f) On and after July 1, 1993, no policy of residential property
23 insurance may be renewed as guaranteed replacement cost
24 coverage if it contains any maximum limitation of coverage based
25 on any set dollar limits, percentage amounts, construction cost
26 limits, indexing, or any other preset maximum limitation for
27 covered damage to the insured dwelling. The limitations referred
28 to in this section are solely applicable to dwelling structure
29 coverages. Endorsements covering additional risks to the insurer's
30 dwelling structure coverage may have internal limits as long as
31 those endorsements are not called guaranteed replacement cost
32 coverage.

33 (g) Coverage provided for building code upgrades by a policy
34 of residential property insurance shall be applicable to building
35 codes, ordinances, standards, or laws only to the extent that those
36 codes, ordinances, standards, or laws do not impose stricter
37 standards on the property on the basis of the level of insurance
38 coverage applicable to the property.

39 (h) The disclosure required by Section 10101 shall also be
40 provided to the mortgagor in the event that a policy is forced

1 placed by an insurer at the request of a mortgagee. In such cases,
2 neither the insurer nor the mortgagee shall be required to obtain a
3 signature from the mortgagor. No disclosure shall be required to
4 be provided with respect to blanket policies issued to a mortgagee,
5 and designed to provide interim coverage for losses occurring
6 prior to the mortgagee obtaining knowledge of the lapse of the
7 policy and prior to placement of a policy on behalf of the
8 mortgagor.

9 (i) On and after July 1, 1994, insurers shall add to the
10 disclosure, in no less than 10-point type the following statement:

11 This disclosure form does not explain the types of contents
12 coverage (furniture, clothing, etc.) provided by your policy. Some
13 policies do not replace contents with new items, but instead, only
14 pay for the current market value of an item. If you have any
15 questions, contact your insurer or agent.

16 (j) No later than December 1, 2005, the commissioner shall
17 report to the Governor and the Legislature on the status of the
18 issues regarding residential property insurance and the
19 effectiveness of the California Residential Property Insurance
20 Disclosure.

21 SEC. 2. Section 10103 of the Insurance Code is amended to
22 read:

23 10103. (a) No policy of residential property insurance may
24 be issued or renewed in this state unless it provides the following
25 information on the declarations page of the policy:

26 (1) The limits of liability for the structure.

27 (2) The following statement regarding the valuation of the
28 structure:

29 “The limit of liability for this structure (Coverage A) is based
30 on an estimate of the cost to rebuild your home, including an
31 approximate cost for labor and materials in your area, and
32 specific information that you have provided about your
33 home.”

34 (3) Limits of liability for personal property.

35 (4) Deductibles.

36 (5) Whether the policy provides coverage for the increased
37 costs of repairing or replacing damage to the insured dwelling
38 caused by a covered loss because of building ordinances or laws
39 regulating the repair. In the event that no coverage is provided for
40 repairs that result from new building ordinances or laws, the

insurer shall include in no less than 10-point typeface the following statement: “THIS POLICY DOES NOT INCLUDE BUILDING CODE UPGRADE COVERAGE.”

(b) In the event that the policy does include code upgrade coverage, it shall either:

(1) State this on the declaration page, and denote any applicable limits.

(2) State this on a separate disclosure form attached to the declarations page, if the separate disclosure form meets the following standards:

(A) It is printed in not less than 10-point typeface.

(B) It denotes any applicable limits on the amount of coverage.

(C) It denotes restrictions, if any, on coverage for compliance with applicable building codes which take effect after the date of loss but prior to the issuance of required building permits.

SEC. 3. Section 10103.5 is added to the Insurance Code, to read:

10103.5. (a) Every California Residential Property Insurance Disclosure shall be accompanied by a California Residential Property Insurance Bill of Rights. If the insurer provides the insured with an electronic copy of a policy, the bill of rights may also be transmitted electronically.

(b) The California Residential Property Insurance Bill of Rights shall be plainly printed in no less than 10-point type. The bill of rights shall contain the following:

~~“California Residential Property Insurance Bill of Rights~~

“California Residential Property Insurance Bill of Rights

The largest single investment most consumers make is their home and related property. In order to best protect these assets, it is wise for consumers to understand the homeowner’s insurance market. Consumers should consider the following:

Read your policy carefully and understand the coverage and limits provided. Homeowner’s insurance policies contain sublimits for various coverages such as personal property, debris removal, additional living expense, detached fences, garages, etc.

1 Keep accurate records of renovations and improvements to
2 the structure of your home, as it could affect your need to
3 increase your coverage.

4
5 Maintaining a list of all personal property, pictures, and
6 video equipment; may help in the case of a loss. The list
7 should be stored away from your home.

8
9 Comparison shop for insurance, as not all policies are the
10 same and coverage and prices vary.

11
12 Take time to determine the cost to rebuild or replace your
13 property in today's market. You can seek an independent
14 evaluation of this cost.

15
16 You may select a licensed contractor or vendor to repair,
17 replace, or rebuild damaged property covered by the
18 insurance policy.

19
20 An agent or insurance company may help you establish
21 policy limits that are adequate to rebuild your home.

22
23 Once the policy is in force, contact your agent or insurance
24 company immediately if you believe your policy limits may
25 be inadequate.

26
27 A consumer is entitled to receive information regarding
28 homeowner's insurance. The following is a limited overview of
29 information that your insurance company can provide:

30
31 The California Residential Property Insurance Disclosure.

32
33 An explanation of how your policy limits were established.

34
35 The insurance company's customer service telephone
36 number for underwriting, rating, and claims inquiries.

37
38 An explanation for any cancellation or nonrenewal of your
39 policy.

40



1 A copy of your policy.

2
3 The toll-free telephone number and Internet address for
4 reporting complaints and concerns about homeowner's
5 insurance issues to the department's consumer services unit.

6
7 In the event of a claim, an itemized, written scope of loss
8 report prepared by the insurer or its adjuster within a
9 reasonable time period.

10
11 In the event of a claim, notification of a consumer's rights
12 with respect to the appraisal process for resolving claims
13 disputes.

14
15 In the event of a claim, a copy of the Unfair Practices Act
16 and a copy of the Fair Claims Practices Regulations.

17
18 The information provided herein is not all inclusive and does not
19 negate or preempt existing California law. If you have any
20 concerns or questions, the officers at our Consumer Hotline are
21 there to help you. Please call them at 1-800-927-HELP (4357) or
22 contact us at www.insurance.ca.gov.”

23
24 (c) The bill of rights shall be distributed by all insurers licensed
25 to sell residential property insurance in this state.

